

REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

Headington Oil Limited Partnership
7557 Rambler Road
Suite 1100
Dallas, TX 75231

Township 26 North, Range 54 East

Section 36: ALL

Township 26 North, Range 55 East

Section 31: Lots 1-4, E½W½, E½ (all)

1260.64 Acres

Richland County

State Tract(s):

Section 36: ALL

640 Acres

Trust: Common Schools

Headington Oil Limited Partnership has filed a request with the Department for the approval of a communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

The Stampede State 14X-36 well, which is a tri-lateral horizontal Bakken formation oil well, was drilled in the SW¼SW¼ of Section 36. This spacing unit has a total of 1260.64 acres. The State owns a total of 640 acres of the 1260.64 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalty from this well. The Communitization Agreement includes the Bakken formation in Sections 36 & 31.

The State has 1 tract which comprises 50.77% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The State will consequently receive 6.60% of all oil production (13% royalty rate x 50.77% tract participation), and 6.34% of gas production (12.5% royalty rate x 50.77% tract participation) for tract 1.

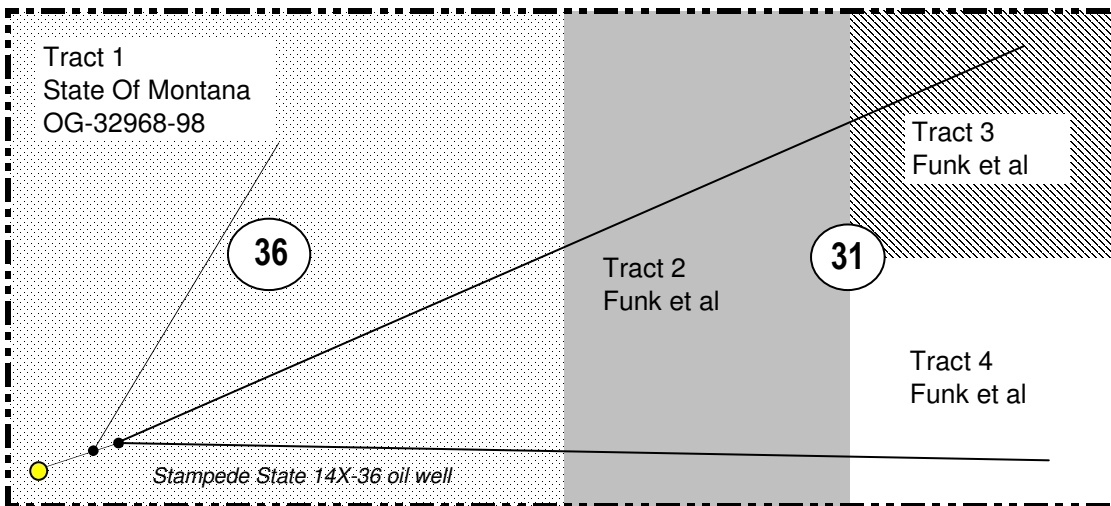
The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.

Township 26 North Range 54 East

Section 36

Township 26 North Range 55 East

Section 31



Proposed Communitized Area

Recapitulation

Tract No.	Type	Acres	Tract Participation	Royalty %	Owners Interest Decimal
1	State of Montana OG-32968-98	640.00	50.77%	13.0% Oil	0.066001
2	Funk et al	300.64	23.85%	12.50%	0.029810
2	Funk et al	160.00	12.69%	12.50%	0.015865
4	Funk et al	160.00	12.69%	12.50%	0.015865
Total		1260.64	100.00%		

* The Operator of the Communitized Area is Headington Oil LP